



**Director of
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POLAND: Jaruzelski's Speech

Prime Minister Jaruzelski in his speech yesterday to the party plenum leveled the most sweeping criticism of the US by Poland in recent years, stating that Washington bears the main responsibility for endangering world peace and that the US is heading away from a policy of negotiation and toward confrontation.

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In excerpts available from the speech, Jaruzelski criticized the West for having sold Poland outdated equipment at a good profit and said that Poland should give more attention to developing its "natural markets" in the East.

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On domestic issues the Prime Minister again justified the need for martial law and pledged that "counter-revolution" would not win. He said that current tensions only prolong martial law but promised that the Interior Ministry will soon ease more restrictions and release additional detainees.

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Jaruzelski tempered his tough language by calling repeatedly for a "national accord" and "genuine political solutions." He restated his commitment to reforming the bureaucracy, introducing economic reforms, and winning the cooperation of students, intellectuals, and the Church.

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Jaruzelski said he supported the reforms approved at the party's Ninth Congress last summer, including the free election process that brought about major changes in the party apparatus. He also proposed a new policy, based on the system used in the military, that would put greater emphasis on competence in selecting officials.

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Comment: The Prime Minister has calculated that there is little hope in the short term for improving relations with the US and that he has little to lose with his harsh rhetoric. His comments will sit well with conservatives and in Moscow, where he will visit, probably next week.

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Jaruzelski has laid out the regime's domestic priorities of first reestablishing order and central control and then proceeding to seek accommodation, if possible. Poles probably will be skeptical about his conciliatory words, which they have heard before. Even party moderates, heartened by his support of party reforms, realize that Jaruzelski will have considerable difficulty translating his intentions into specific policies and steering them through bureaucracies that have long resisted change.

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LIBYA: Oil Export Problems

//The weakening oil market, combined with Libya's refusal to make additional price cuts, has again lowered oil exports and forced Tripoli to continue to use foreign exchange reserves and cut imports.//

//Despite offers of substantial discounts for barter and processing deals

Libyan production is again falling. Since December, production has declined from 1.1 million barrels per day to 700,000-800,000 because Libyan crude remains overpriced. Spot prices for Libyan crudes have recently fallen to \$30 per barrel--\$7 below official prices.//

//Falling oil revenues have forced Tripoli to delay payments to some foreign firms, cut back luxury imports, and trim its ambitious five-year development plan.

Comment: *//There is little immediate prospect of a substantial increase in oil exports. Libya is unlikely to cut prices enough to overcome current market conditions even if Saudi Arabia reduces production by 1 million barrels per day. Libya's pricing flexibility is hampered by its traditional hard line in OPEC.//*

//US imports of Libyan crude also are likely to continue declining in the first quarter of 1982, because major customers have cut back on purchases. Imports of Libyan refined products--which are difficult to identify in origin--could increase, however, as Libya dumps larger volumes on the spot market at discounted prices.//

//Libya can meet its projected financial shortfalls of \$5 billion to \$6 billion this year by again drawing down foreign reserves, borrowing, or cutting imports. Moreover, imports that directly affect the population can easily be continued. The government's grandiose development schemes are largely irrelevant to the life of the average Libyan, and cutbacks in spending in this area are not likely to have any serious political ramifications.//

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FRANCE: Nuclear Arms Policy

//The French Government is attempting to squelch the West German Social Democratic Party's proposal that French and British nuclear forces be included in calculations of the East-West nuclear balance.// [redacted]

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//The French, reacting to a draft Social Democratic resolution, have circulated an informal paper at NATO headquarters reiterating their position that any consideration of French nuclear systems in START or INF talks would be unacceptable. The paper claims that France must maintain nuclear forces at a level sufficient to inflict losses on an aggressor greater than the gains the aggressor might reap by destroying France and that negotiated limitations or reductions could bring French forces below that level. It also states that there is no basis for inclusion of French nuclear forces in the negotiations because they are independent national assets with respect to weapon acquisition, targeting, employment decision, and doctrine for use.// [redacted]

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Comment: //Although the Social Democrats' resolution is not the West German Government's position, the French paper underscores the Elysee's eagerness to scuttle support for inclusion before the issue could become a major obstacle to progress in arms negotiations. No West European government thus far has officially called for inclusion of French and British systems, although the Soviets have done so regularly.// [redacted]

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//The French statement also indicates continuity in France's official nuclear weapons doctrine, especially in the rejection of NATO's "flexible response" in favor of the unilateral threat of massive retaliation. French tactical nuclear weapons are not intended to provide the flexibility for "war-fighting" at the tactical level, but they are intended to be the ultimate warning to the aggressor that strategic weapons will be used unless the aggression is halted.// [redacted]

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UK: Opposition to Trident

//Conservatives opposed to the Trident missile system are intensifying their criticism, but the government is not likely to back down.// [redacted]

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//Tory opponents of the program in Parliament and some members of the defense establishment have long argued that the cost of Trident will weaken the UK's conventional capabilities. Their concern has grown in recent weeks because of widespread speculation that the government will buy the D-5 missile rather than the less expensive C-4. Most critics reject the government's claim that the cost of the D-5 can be held to about 3 percent of the annual defense budget if it is amortized over 15 years.// [redacted]

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Comment: //The government probably will not be defeated in Parliament on the issue but will announce some time next month that it is going ahead with the D-5. Nonetheless, Prime Minister Thatcher and Defense Secretary Nott are worried that the program's critics will make trouble, and they are likely to step up their efforts to sell the program.// [redacted]

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//Thatcher and Nott will emphasize Trident's advantages over cruise missiles--the option favored by most Conservative critics--as the better deterrent to the Soviet threat. In private, proponents also are likely to argue that the Trident will be the UK's best insurance for the future if the US weakens its commitment to defend Western Europe.// [redacted]

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//In addition, the government will stress the favorable economic arrangements struck with the US, and it may decide to spread the costs over 20 years. It will argue that in the long run the cost of Trident with the D-5, now expected to be \$15 billion-\$16 billion, will be only slightly more than it would be with the C-4 and that it will not adversely affect the conventional program. If the economy continues to improve and future cuts in conventional forces can be held to a minimum, Conservative criticism probably will subside.// [redacted]

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SOUTH AFRICA: Possible Split in the National Party

A formal split in the ruling National Party may be imminent as a result of the right wing's vote of no confidence in Prime Minister Botha at a parliamentary caucus yesterday.

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The 23 members who walked out of the meeting after the vote were led by Andries Treurnicht, the head of the Transvaal Province wing that holds almost half of the party's seats in parliament. They refused to back Botha's plan for Colored and Asian participation in the national government. Botha has given the rebels until next Wednesday to reconsider their position or face expulsion from the party.

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Comment: Despite Botha's past reluctance to risk party unity, he apparently now intends to force the right wing to choose between accepting his proposals for limited racial reform or leaving the party. Treurnicht, who abstained in the no-confidence vote, may attempt to challenge Botha's leadership of the party. He also may decide, however, that the right wing cannot defeat Botha and that he and his followers will have to form their own party.

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Treurnicht probably would have significant support. Up to one-third of the Afrikaner voters deserted the National Party for an ultraconservative opposition group in the national elections held last year. Although Treurnicht could gain enough backers in parliament to become the leader of the official opposition, Botha probably would retain a parliamentary majority.

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FRANCE-ITALY: Mitterrand and Berlinguer To Meet

//French President Mitterrand will meet with Italian Communist Party leader Berlinguer when he visits Rome this week. Paris believes that the positions of the Italian and Spanish Communist Parties on Poland and on domestic economic matters have established a basis for cooperation with them. [REDACTED]

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Comment: Mitterrand probably hopes that courting these more independent Communist parties will improve his own appeal to French Communists who are dissatisfied with their party's subservience to Moscow. Berlinguer's emphasis on a third way to socialism appears in harmony with Mitterrand's desire to construct in France a socialist model for the West. Berlinguer--who has been seeking this meeting for some time--clearly hopes to enhance his party's legitimacy, strengthen his hand in dealing with the Italian Socialists and Christian Democrats, and persuade his confused followers that the party has not been isolated by its dispute with Moscow. [REDACTED]

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SPAIN-FRANCE: The Basque Issue

//The Spanish Government is increasingly frustrated at its failure to gain French cooperation in cracking down on Basque terrorists who seek refuge in and operate from French territory.

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Comment: //If Madrid does raise the issue to the international level, it would want to proceed cautiously. Spain previously may have avoided that step in order not to endanger Spanish prospects for entry into the EC. Because of continued French foot-dragging on both Spanish accession and terrorism, Spain may now believe that the risk of an international effort is worth taking. Madrid, however, would still try to avoid any strong action that could seriously damage its chances for EC membership or early NATO entry.//

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EAST GERMANY: Major Industrial Accident

An explosion and a fire on Monday at East Germany's largest lignite gasification plant--which for a time threatened to collapse the nationwide gas distribution network--have disabled the plant that produces about two-thirds of East Germany's manufactured gas and accounts for at least 20 percent of the country's total gas consumption.

Comment: East Berlin evidently has been counting on increased use of lignite to help compensate for reduced deliveries of Soviet oil. The accident could cause an extended reduction in industrial output, despite intensified energy conservation and increased gas production elsewhere. Heavy winter demand for gas and priority for residential users will make the situation even worse for industry.

USSR-FINLAND: Soviet Criticism

TASS has denounced a Finnish news agency for reprinting President Reagan's "anti-Soviet and militarist statements" in a recent "interview" with a Scandinavian journalist. President Reagan did not address the Nordic zone directly, but, in response to a question about the Soviet submarine's intrusion into Swedish waters, noted the apparent introduction of nuclear weapons into the territory of a state that had renounced such weapons. The Soviet agency particularly objected to US opposition to a Nordic Nuclear Weapons Free Zone, emphasizing that the idea was first promoted by former Finnish President Kekkonen.

Comment: Moscow's criticism probably is designed to remind recently elected President Koivisto of the need to adhere strictly to Kekkonen's neutralist foreign policy. The Soviets will seek a reassurance from Koivisto, during his scheduled visit to the USSR next month, that Finland will remain sensitive to their interests in northern Europe.

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SPECIAL ANALYSIS

LIBYA: Military Aid Program

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Since late 1978, Libya has provided grants totaling about \$700 million for arms deliveries and financial disbursements to a number of governments and to about 60 insurgent and dissident groups in the Third World. In addition, over 13,000 foreigners have been trained in Libyan camps. This aid, however, has only marginally strengthened the capabilities of most recipients and Libya's influence.

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//Virtually all of Libya's smaller government clients are in sub-Sahara Africa. Several, including Burundi, serve as bases or transshipment points for Libyan-supported insurgencies in other countries in the region. Djibouti and other moderate states that have accepted small amounts of Libyan arms or limited training aid usually have done so to gain leverage with traditional Western suppliers.//

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Primary recipients among insurgent and dissident groups have included radical and more moderate Palestinians, Lebanese leftists, North African dissidents and expatriates, the Somali Democratic Salvation Front, and--before independence in 1980--guerrillas in Zimbabwe. Many of these groups, with little military or paramilitary capability, have benefited from Libyan instruction. In the last three years, several thousand trainees--possibly more than 10,000--were processed in Libyan camps. [REDACTED]

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Libya also has provided some \$175 million in weaponry and funds to these groups. Most of the arms and ammunition are suitable for small unit and paramilitary operations. In some cases, they represent the bulk of an insurgency's inventory. [REDACTED]

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Training Assistance

//Training of insurgents and dissidents at numerous sites in Libya has become an increasingly important feature of Qadhafi's program. The total estimated cost of this training is \$60 million.// [REDACTED]

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Effectiveness of the Program

Libyan assistance has only modestly improved the capabilities of Qadhafi's clients. Most governments have not depended on Qadhafi for the bulk of their arms,

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although Libyan funds have allowed a few states to buy weapons that they themselves could not have afforded. Aid provided to insurgents and dissidents thus far has not helped any of them to assume power.

Tripoli generally has not been able to convert its increased assistance into greater influence. Qadhafi's continued failure to fulfill his pledges have seriously harmed the program. In addition, potential retaliatory measures by more moderate states have led some governments to reconsider the value of accepting aid from Libya.

Nonetheless, Qadhafi continues to be driven by deep-seated ideological motivations. He believes that in the longer term he will fulfill his mission of leading the Third World in a global revolution that will end the dominance of the East and the West.

Outlook

Qadhafi evidently intends to continue his increased military aid program despite its limited returns. Continuing sharp declines in oil revenues, however, could impose limits on future arms deliveries and financial transfers. Moreover, opposition by moderate states to Qadhafi's subversive efforts--especially of the governments or insurgents he supports seem actually to be posing greater threats--could grow.

If these conditions materialize, Libyan aid disbursements probably would become more uncertain, further undermining Qadhafi's reliability as a supplier. Nonetheless, Qadhafi's zeal to support anti-US regimes and radical groups indicates that he will have no shortage of customers for his military goods and money.

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